



FEDERAL ENERGY REGULATORY COMMISSION

NEWS

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NEWS MEDIA CONTACT:

Celeste M. Miller 202.502.8680

FERC Seeks Comment on Demand Response Compensation in Organized Markets

The Federal Energy Regulatory Commission (FERC) today issued a proposal intended to ensure adequate compensation for demand response resources in organized wholesale electricity markets to enhance their competitiveness. Competitive markets bring more options to consumers, enabling them to lower prices.

The Notice of Proposed Rulemaking (NOPR) proposes, and seeks comment on, requiring organized wholesale energy markets, known as Regional Transmission Operators (RTOs) or Independent System Operators (ISOs) in which demand response resources participate as a resource, to pay demand response providers the market price for energy for reducing consumption below their expected levels. The Commission is seeking comment on this proposal and on the merits of alternative approaches in comparison to the approach proposed. Further, the Commission seeks comment on whether regional differences among the markets justify the current difference in compensation across the RTOs and ISOs.

“As FERC looks to improve the role of demand response in the functioning and competitiveness of organized markets, our next logical step is to offer this proposal and to ask a variety of questions about it,” Chairman Jon Wellinghoff said. “I am eager to hear what stakeholders have to say about this.”

The NOPR focuses on the day-ahead and real-time energy markets and does not apply to ancillary service and capacity markets or to demand response programs administered for reliability and emergency conditions.

At a technical conference on May 21, 2008, FERC explored the value of comparable compensation for demand response in organized markets where participants confirmed that customers “must have confidence that appropriate price signals will be sustained by stable competitive pricing structures, before they will make an investment in demand response.”

Comments on the NOPR, *Demand Response Compensation in Organized Wholesale Energy Markets*, are due 45 days after publication in the *Federal Register*.

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